

CITY OF GROESBECK, TEXAS

ANNUAL FINANCIAL REPORT

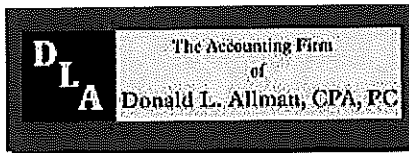
For the Year Ended September 30, 2022

Introductory Section

City of Groesbeck
Annual Financial Report
For the Year Ended September 30, 2022
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Financial Section



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CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Mayor and City Council
City of Groesbeck, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Groesbeck, Texas, as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise the City of Groesbeck, Texas's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Groesbeck, Texas, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Groesbeck, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Groesbeck, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Groesbeck, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Groesbeck, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 47-48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2023, on our consideration of the City of Groesbeck, Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Groesbeck, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Groesbeck, Texas internal control over financial reporting and compliance.

Respectfully submitted,



Donald L. Allman, CPA, PC

Georgetown, Texas
February 15, 2023

Management's Discussion and Analysis
City of Groesbeck, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Groesbeck's annual financial report presents our discussion and analysis of the City's financial performance during the year ended September 30, 2022. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net position on financial statement exhibit A-1 was \$12,325,668 at September 30, 2022.
- During the year, the City's total net income was \$1,245,035. The City's proprietary fund reported net income of \$904,757 before transfers. The City's general fund reported a net income of \$340,288 before transfers.
- The general fund reported a governmental fund balance this year on financial statement exhibit A-3 of \$3,391,057. The general fund had a net position increase of \$1,137,914 on the governmental funds basis before transfers.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how general government services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide the information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to which the resources in question belong.
- *Business-type activities fund* statements provide information about the for-profit activities and services.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net position and how they have changed. Net position – the difference between the City's assets and deferred outflows of resources less liabilities and deferred inflows of resources – is one way to measure the city's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental Activities* and *Business-type Activities*. Most of the City's basic services are included as *Governmental Activities*, such as general government, public safety, public services, and sanitation. Property taxes, sales taxes, charges for services and grants finance most of these activities. The City's enterprise revenues are reflected as *Business-type Activities*.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* – The City charges customers for the services it provides, whether to outside customers or to other units within the city. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary funds – The City is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities for the city's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was 12.3 million at September 30, 2022. (See Table A-1).

Table A-1
City of Groesbeck's Net Position

	<u>2022</u>	<u>2021</u>	<u>Total Percentage Change Sept. 2022 - Sept. 2021</u>
Current assets:			
Cash and cash equivalents	4,067,752	2,928,665	39
Investments	892,875	884,460	1
Due from other governments	-	-	-
Other receivables	715,247	682,013	5
Inventories - supplies and materials	55,185	55,876	-
Total current assets	<u>5,731,059</u>	<u>4,551,014</u>	<u>25.9</u>
Noncurrent assets:			
Land, furniture and equipment	25,556,472	25,327,674	1
Less accumulated depreciation	(14,191,666)	(13,446,606)	6
Other assets	99,946	114,090	(12)
Total noncurrent assets	<u>11,464,752</u>	<u>11,995,158</u>	<u>(4)</u>
Total Assets	<u>17,195,811</u>	<u>16,546,172</u>	<u>4</u>
Deferred outflows of resources	<u>244,198</u>	<u>264,622</u>	<u>-</u>

Table A-1
City of Groesbeck's Net Position

	<u>2022</u>	<u>2021</u>	<u>Total Percentage Change Sept. 2022 - Sept. 2021</u>
Current liabilities:			
Account payable and accrued liabilities	195,764	219,486	(11)
Short-term debt	-	-	-
Consumer deposits	134,566	134,566	-
Total current liabilities	<u>330,330</u>	<u>354,052</u>	<u>(7)</u>
Long-term liabilities:			
Net Pension Liability	34,805	161,761	(78)
Net OPEB Liability	135,015	129,966	
Noncurrent liabilities due in one year	583,000	572,000	2
Noncurrent liabilities due more than 1 year	<u>3,594,000</u>	<u>4,177,000</u>	<u>(14)</u>
Total long term Liabilities	<u>4,346,820</u>	<u>5,040,727</u>	<u>(14)</u>
Deferred inflows of resources	<u>437,191</u>	<u>335,382</u>	<u>30</u>
Net Position:			
Net Investment in Capital Assets	7,187,806	7,132,068	1
Restricted	1,138,005	1,126,778	1
Unrestricted	<u>3,999,857</u>	<u>2,821,787</u>	<u>42</u>
Total Net Position	<u>12,325,668</u>	<u>11,080,633</u>	<u>\$ 11</u>

As of September 30, 2022, the City has \$1,138,005 in restricted net position that represents requirements for debt service. The \$3,999,857 of unrestricted net position represents resources to be available to fund the programs of the City next year.

Changes in net position – The City's total revenues were \$6,610,761. A significant portion, 35 percent, of the City's revenue comes from taxes, while 53 percent relates to charges for services.

The total cost of all programs and services was \$5,365,726, with 69 percent of these costs being for governmental activities.

Table A-2
Changes in City of Groesbeck's Net Position

	September 2022	September 2021	Total Percentage Change Sept. 2022 - Sept. 2021
Program Revenues:			
Charges for Services	3,505,447	3,330,239	5.26
Operating Grants and Contributions	-	-	-
Capital Grants and Contributions	-	-	-
Grant Revenues	718,379	632,652	13.55
Taxes	2,345,123	2,227,337	5.29
Investment Earnings	33,812	23,734	42.46
Other	8,000	8,000	-
Total Revenues	6,610,761	6,221,962	6.25
General Government	1,085,425	892,053	21.68
Public Safety	1,135,369	769,137	47.62
Highways and Streets	363,178	349,001	4.06
Sanitation	582,207	514,661	13.12
Culture and Recreation	320,213	293,297	9.18
Economic Development Assistance	165,920	132,152	25.55
Water and Sewer	1,648,150	1,901,010	(13.30)
Other	65,264	78,389	(16.74)
Total Expenses	5,365,726	4,929,700	8.84
Excess Before Other Resources			
Uses and Transfers	1,245,035	1,292,262	(3.65)
	-	-	-
Transfers In (Out)	-	-	-
Increase in Net Position	1,245,035	1,292,262	(3.65)

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

The cost of all *governmental activities* this year was 3.650 million.

However, the amount that our taxpayers paid for these activities through property taxes was only \$919 thousand. Some of the cost was paid by those who directly benefited from the programs.

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services			Net Cost of Services		
	2022	2021	% Change	2022	2021	% Change
General Government	1,085,425	892,053	21.68	941,014	646,986	45.45
Public Safety	1,135,369	769,137	47.62	264,262	219,284	20.51
Highways and Streets	363,178	349,001	4.06	363,178	349,001	4.06

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

Total revenues actually received were \$453,456 more than budgeted, and total expenses were \$308,203 less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2021, the City had invested \$25,556,472 in a broad range of capital assets, including land, equipment, buildings, infrastructure and vehicles (See Table A-4). This amount represents a net decrease (including additions and depreciation) of \$(516,262) or 4% over last year.

Table A-4
City's Capital Assets

	September 2022	September 2021	Total Percentage Change Sept. 2022 - Sept. 2021
Land	1,000,699	1,000,699	-
Infrastructure	1,484,620	1,438,894	3.18
Buildings and improvements	16,475,929	16,475,929	-
Water and sewer system	2,511,940	2,511,940	-
Equipment	3,824,097	3,641,025	5.03
Leased assets	259,187	259,187	-
Totals at historical cost	25,556,472	25,327,674	0.90
 Total accumulated depreciation	 14,191,666	 13,446,606	 5.54
 Net capital assets	 11,364,806	 11,881,068	 (4.35)

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the City had \$4.3 million in bonds, leases and notes outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City's Long Term Debt

	September 2022	September 2021	Total Change Sept.2022 - Sept. 2021
Leases payable	-	-	
Bonds payable	4,177,000	4,749,000	(12.04)
Notes payable	-	-	
Net Pension Liability	34,805	161,761	(78.48)
Net OPEB Liability	135,015	129,966	3.88
	-	-	
Totals bonds & notes payable	4,346,820	5,040,727	(13.77)

Economic Factors and Next Year's budgets and Rates

The City's budgetary general fund balance is not expected to change appreciably by the close of fiscal year 2022.

Contacting the City's Financial Management

This financial report is to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Groesbeck's Business Services Department at P.O. Box 227, Groesbeck, Texas 76672 or phone number 254-729-3293.

Basic Financial Statements

CITY OF GROESBECK, TEXAS
STATEMENT OF NET POSITION
September 30, 2022

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and Cash Equivalents	\$ 2,398,328	\$ 634,351	\$ 3,032,679
Investments	220,780	569,163	789,943
Receivables (net of allowances for uncollectibles)	347,505	367,742	715,247
Internal Balances	-	-	-
Receivable from Fiduciary	-	-	-
Inventory	3,283	51,902	55,185
Bond Issuance Costs, net	-	99,946	99,946
Restricted assets:	-		
Cash	518,821	516,252	1,035,073
Investments	102,932	-	102,932
Land	941,278	59,421	1,000,699
Building & Equipment, net	3,735,192	6,628,915	10,364,107
Total Assets	8,268,119	8,927,692	17,195,811
Deferred Outflows of Resources	189,131	55,067	244,198
LIABILITIES			
Accounts Payable and Other Current Liabilities	98,252	26,051	124,303
Short-Term Debt	-	-	-
Consumer Deposits	-	134,566	134,566
Unearned revenue-property taxes	-		-
Accrued Liabilities	65,980	5,481	71,461
Notes Payable - Current	-	-	-
Leases Payable - Current	-	-	-
Bonds Payable - Current	86,000	497,000	583,000
Noncurrent Liabilities			
Net Pension Liability	27,591	7,214	34,805
Net OPEB Liability	86,704	48,311	135,015
Notes Payables - Noncurrent	-	-	-
Leases Payables - Noncurrent	-	-	-
Bonds Payable - Noncurrent	779,000	2,815,000	3,594,000
Deferred Inflows of Resources	297,102	140,089	437,191
Net Investment in Capital Assets	3,811,470	3,376,336	7,187,806
Restricted For:			-
Debt Service	105,883	516,252	622,135
Construction	-	-	-
Other	-	-	-
Economic Development Corporation	515,870	-	515,870
Unrestricted	2,583,398	1,416,459	3,999,857
Total Net Position	\$ 7,016,621	\$ 5,309,047	\$ 12,325,668

The accompanying notes are an integral part of this statement

CITY OF GROESBECK, TEXAS
STATEMENT OF ACTIVITIES
September 30, 2022

<u>Functions / Programs</u>	Net (Expense) Revenue & Changes in Net Position				
	Program Revenues		Operating		
	Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities					
General Government	\$ 1,085,425	\$ 144,411	\$ 28,200	\$ (912,814)	\$ (912,814)
Public Safety	1,135,369	180,928	690,179	(264,262)	(264,262)
Highway and Streets	363,178	-	-	(363,178)	(363,178)
Sanitation	582,207	629,066	-	46,859	46,859
Culture and Recreation	320,213	28,882	-	(291,331)	(291,331)
Economic Development Assistance	165,920	-	-	(165,920)	(165,920)
Debt Service - Interest	65,264	-	-	(24,684)	(65,264)
Total Governmental Activities	3,717,576	983,287	718,379	(40,580)	(2,056,490)
Business-type Activities:					
Water and Sewer	1,648,150	2,562,740	-	914,590	914,590
Total Business-type Activities	1,648,150	2,562,740	-	914,590	914,590
Total Primary Government	\$ 5,365,726	\$ 3,546,027	\$ 718,379	\$ (2,015,910)	\$ (1,141,900)
General Revenues:					
Property Taxes		\$ 924,498	\$ -	\$ -	\$ 924,498
Sales Taxes		1,175,829	-	-	1,175,829
Franchise Taxes		167,588	-	-	167,588
Taxes, Hotel - Motel		77,208	-	-	77,208
Intergovernmental		8,000	-	-	8,000
Investment Earnings		3,075	30,737	-	33,812
Transfers		419,535	(419,535)	-	-
Total General Revenues		2,775,733	(388,798)	-	2,386,935
Change in Net Position		759,823	485,212	-	1,245,035
Net Position - Beginning		6,256,798	4,823,835	-	11,080,633
Prior Period Adjustment		-	-	-	-
Net Position Ending		\$ 7,016,621	\$ 5,309,047	\$ -	\$ 12,325,668

CITY OF GROESBECK, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2022

	<u>General Fund</u>	<u>Economic Development Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND OTHER DEBITS				
Assets:				
Cash and Cash Equivalents	\$ 1,126,284	\$ -	\$ 1,272,044	\$ 2,398,328
Investments	22	-	220,758	220,780
Receivables (net of allowance for uncollectibles)	344,655	88,693	2,850	436,198
Due from Other Funds	-	-	-	-
Inventory	3,283			3,283
Restricted Assets:				
Cash	-	427,177	105,883	533,060
Investments		102,932	-	102,932
Total Assets and Other Debits	<u>\$ 1,474,244</u>	<u>\$ 618,802</u>	<u>\$ 1,601,535</u>	<u>\$ 3,694,581</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 96,962	\$ -	\$ 1,290	\$ 98,252
Due to Other Funds	-	-	-	-
Accrued Liabilities	65,980	-	-	65,980
Unearned Revenue	139,292	-	-	139,292
Short-Term Debt	-	-	-	-
Total Liabilities	<u>302,234</u>	<u>-</u>	<u>1,290</u>	<u>303,524</u>
Fund Balances:				
Nonspendable	3,283	-	-	3,283
Restricted	-	-	-	-
Committed	-	618,802	-	618,802
Assigned	-	-	1,600,245	1,600,245
Unassigned	1,168,727	-	-	1,168,727
Total Fund Balance	<u>1,172,010</u>	<u>618,802</u>	<u>1,600,245</u>	<u>3,391,057</u>
Total Liabilities and Fund Balance	<u>\$ 1,474,244</u>	<u>\$ 618,802</u>	<u>\$ 1,601,535</u>	<u>\$ 3,694,581</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
September 30, 2022

Total fund balances - governmental funds balance sheet	\$ 3,391,057
Amounts reported for governmental activities in the statement of net position are different because:	(14,239)
Deferred Outflows of resources are not recorded in governmental funds	189,131
Deferred Inflows of resources are not recorded in governmental funds	(297,102)
Capital assets used in governmental activities are not reported in the funds.	4,676,470
Note receivable unavailable to pay	(88,693)
for current period expenditures are deferred in the funds.	139,292
Net Pension Liability & Net OPEB Liability is not recorded in governmental funds	(114,295)
Payables for capital leases which are not due in the current period are not reported in the funds	-
Payables for notes payable which are not due in the current period are not reported in the funds.	(865,000)
	<u> </u>
Net position of governmental activities - statement of net position	<u>\$ 7,016,621</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
September 30, 2022

	General Fund	Economic Development Fund	Other Governmental Funds	Total Governmental Funds
Revenue:				
General Property Taxes	\$ 919,370	\$ -	\$ -	\$ 919,370
General Sales and Use Taxes	592,233	291,798	-	884,031
Street Maintenance Sales Tax	-	-	145,899	145,899
Civic Center Sales Tax	-	-	145,899	145,899
Franchise Taxes	167,588	-	-	167,588
Taxes, Hotel - Motel	-	-	77,208	77,208
Intergovernmental	8,000	-	-	8,000
Charges for Services	956,899	2,828	23,560	983,287
Fines	-	-	-	-
Investment Earnings	-	582	2,493	3,075
Contributions and Donations	-	-	39,647	39,647
Total Revenues	<u>2,644,090</u>	<u>295,208</u>	<u>434,706</u>	<u>3,374,004</u>
Expenditures:				
General Government	898,474	-	74,099	972,573
Public Safety	661,621	-	366,232	1,027,853
Highways and Streets	237,178	-	80,807	317,985
Sanitation	582,207	-	-	582,207
Culture and Recreation	284,996	-	-	284,996
Economic Development and Assistance	-	165,920	-	165,920
Debt Service	85,000	-	-	85,000
Capital Outlay	122,263	-	-	122,263
Total Expenditures	<u>2,871,739</u>	<u>165,920</u>	<u>521,138</u>	<u>3,558,797</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(227,649)</u>	<u>129,288</u>	<u>(86,432)</u>	<u>(184,793)</u>
Other Financing Sources (Uses):				
Operating Transfer In/(Out)	419,535	-	(112,831)	306,704
Grants	39,379	-	679,000	718,379
Interfund transfers	112,831	-	-	112,831
Total Other Financing Sources (Uses)	<u>571,745</u>	<u>-</u>	<u>566,169</u>	<u>1,137,914</u>
Fund Balances - Beginning	<u>827,914</u>	<u>489,514</u>	<u>1,120,508</u>	<u>2,437,936</u>
Fund Balances - Ending	<u>\$ 1,172,010</u>	<u>\$ 618,802</u>	<u>\$ 1,600,245</u>	<u>\$ 3,391,057</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
September 30, 2022

Net Change in fund balances - total governmental funds	\$ 953,121
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	122,263
The depreciation of capital assets used in governmental activities is not reported in the funds.	(290,564)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(5,128)
Transfer of debt service funds is not an expense for government wide financials	-
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	85,000
Net Pension expense is not included in governmental funds	9,133
Net OPEB expense is not included in governmental funds	(10,597)
Changes in deferred outflows and deferred inflows are not included in Govt. funds	<u>(103,405)</u>
Change in net position of governmental activities - statement of activities	<u>\$ 759,823</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2022

EXHIBIT A-7

	Enterprise Fund
	Utility Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 634,351
Investments	569,163
Receivables (net of allowances for uncollectibles)	367,742
Due from other funds	-
Inventories	51,902
Total Current Assets	1,623,158
Noncurrent Assets:	
Restricted Cash, Cash Equivalents and Investments -	
Cash and Cash Equivalents	516,252
Investments	-
Bond Issuance Costs	99,946
Land	59,421
Property, Plant and Equipment - Net	6,628,915
Total Noncurrent Assets	7,304,534
Total Assets	8,927,692
Deferred Outflows of Resources	55,067
LIABILITIES:	
Current Liabilities:	
Accounts payable	26,051
Due to other funds	-
Accrued liabilities	5,481
Capital Leases Payable from Restricted Assets -	-
Current Liabilities Payable from Restricted Assets -	
Consumer deposits	134,566
Revenue bonds payable	497,000
Net OPEB Liability	48,311
Net Pension Liability	7,214
Noncurrent Liabilities Payable from Restricted Assets -	
Revenue Bonds Payable	2,815,000
Total Liabilities	3,533,623
Deferred Inflows of Resources	140,089
NET POSITION:	
Net Investment in Capital Assets	3,376,336
Restricted for:	
Debt Service	516,252
Construction	-
Other	-
Retained Earnings	1,416,459
Total Net Position	\$ 5,309,047

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS
September 30, 2022

	Enterprise Fund
	<u>Utility Fund</u>
OPERATING REVENUES:	
Water	1,552,649
Sewer	734,377
Miscellaneous	343,804
Total Operating Revenues	<u>2,630,830</u>
OPERATING EXPENSES:	
Administration expenses	312,774
Water operations	450,536
Sewer operations	315,222
Repairs, maintenance & supplies expense	170,858
Total Pension & OPEB expense	(1,790)
Depreciation & Amortization	468,640
Total Operating Expenses	<u>1,716,240</u>
Operating Income	<u>914,590</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Revenue	30,737
Grants	-
Donations and Contributions	-
Interest Expense & Fees	(40,580)
Total Non-operating Revenues (Expenses)	<u>(9,843)</u>
Income before Transfers	904,747
Operating Transfers Out	<u>(419,535)</u>
Change in Net Position	485,212
Total Net Position - Beginning	<u>4,823,835</u>
	-
Total Net Position - Ending	<u>\$ 5,309,047</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
September 30, 2022

	Enterprise Fund
	Utility Fund
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 2,622,143
Cash Payments to Employees for Services	(459,387)
Cash Payments to Other Suppliers for Goods & Services	(788,579)
Net cash provided by operating activities	<u>1,374,177</u>
Cash Flows from Non-capital Financing Activities:	
Operating Transfers To Other Funds	(419,535)
Net cash used for non-capital financing activities	<u>(419,535)</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Issuance of Long-term Debt	-
Grant Proceeds	-
Donations and Contributions	-
Principal and Interest Paid	(527,580)
Acquisition or Construction of Capital Assets	(106,535)
Cash Transfers to Restricted Cash for Debt Service	14,501
Net cash used for capital & related financing activities	<u>(619,614)</u>
Cash Flows from Investing Activities:	
(Increase)/Decrease in Investments	(5,760)
Interest and Dividends on Investments	30,737
Net cash used for investment activities	<u>24,977</u>
Net Decrease in Cash and Cash Equivalents	360,005
 Cash and Cash Equivalents at Beginning of Year	 <u>274,346</u>
Cash and Cash Equivalents at End of Year	<u>\$ 634,351</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 914,590
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	454,496
Bond amortization	14,144
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(8,687)
Decrease (Increase) in Interfund Receivables	-
Decrease (Increase) in Inventory	(691)
Increase (Decrease) in Accounts Payable	325
Increase (Decrease) in Accrued Liabilities	-
Increase (Decrease) in Consumer Deposits	-
Total Pension expense is not a cash expense	-
Total Adjustments	<u>459,587</u>
Net Cash Provided by Operating Activities	<u>\$ 1,374,177</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2022

	Agency Fund
	Payroll Clearing Fund
ASSETS:	
Cash and Cash Equivalents	\$ -
Total Assets	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>
LIABILITIES:	
Accounts Payable	-
Due to Other Funds	<u>-</u>
Total Liabilities	<u>-</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>
NET POSITION	
Fund Balance	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

1. Summary of Significant Accounting Policies

The financial statements of City of Groesbeck (the City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: (1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and (2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and (3) such economic resources are significant to the City.

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements – The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

1. Summary of Significant Accounting Policies

Basis of Presentation, Basis of Accounting

Basis of Presentation

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund – This is the city's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Economic Development Fund – The fund accounts for the receipt of dedicated sales tax proceeds and the approved expenditures associated with area economic development.

The City reports the following major enterprise funds:

Utility Fund – This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

In addition, the City reports the following fund types:

Fiduciary funds are reported in the fiduciary fund statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support city programs, these funds are not included in the government-wide statements.

Agency Funds (a fiduciary fund) are used to report activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

1. Summary of Significant Accounting Policies

Basis of Presentation, Basis of Accounting

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual-basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The city does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Financial Statement Amounts

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

1. Summary of Significant Accounting Policies

Financial Statement Amounts

Property Taxes

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Inventories

The City records purchases of supplies as expenditures during the year. Year-end adjustments reflect the purchase method of accounting for inventory. Inventories are recorded at cost on a first-in, first-out basis.

Capital Assets

Purchased or constructed capital assets, including infrastructure assets, are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land	-
Infrastructure	40
Buildings & Improvements	10-40
Water & Sewer Systems	20-50
Equipment & Furniture	3-10

Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

Pensions:

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by the TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category. • Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

1. Summary of Significant Accounting Policies

2. Financial Statement Amounts

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "internal Balances" line of the government-wide statement of net assets.

Fund Equity

The City implemented GASB Statement No. 54 during the year ending September 30, 2013. GASB Statement No. 54 requires analysis and presentation of fund balance in five categories. The new fund balance categories are:

- *Non-spendable* – Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.
- *Restricted* – Includes items that are restricted by external creditors, grantors, or contributors, or restricted by legal constitutional provisions.
- *Committed* – Includes items committed by the City Council, by resolution of the Council. Commitments may be modified or rescinded by similar resolution.
- *Assigned* – Includes items assigned by specific uses, authorized by the City Manager and/or finance director.
- *Unassigned* – This is the residual classification used for those balances not assigned to another category in the General Fund. Deficit fund balance in other governmental funds are also presented as unassigned.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

The following detail of fund balances by classification is shown for governmental funds.

	General Fund	Economic Development Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Inventory	\$ 3,283	\$ -	\$ -	\$ 3,283
Restricted for:				
Debt Service	-	-	105,883	105,883
Committed to:				
Economic development	-	618,802	-	618,802
Hotel Motel			127,794	127,794
Street improvements	-	-	68,012	68,012
Convention Center	-	-	453,112	453,112
Assigned to:				
Public safety VFD	-	-	839,789	839,789
Culture and recreation	-	-	5,655	5,655
Unassigned	1,168,727	-	-	1,168,727
	<u>\$ 1,172,010</u>	<u>\$ 618,802</u>	<u>\$ 1,600,245</u>	<u>\$ 3,391,057</u>

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
3. Prior to the start of the fiscal year, the budget is legally enacted through passage of an ordinance by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

Reclassifications

Certain reclassifications have been made to the 2020 information to conform it to the 2020 presentation.

2. Compliance and Accountability

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

Deficit Fund Balance or Fund Net Position of Individual funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None Reported	Not Applicable	Not Applicable

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

3. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank pledges securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2022, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,067,752 and the bank balance was \$4,067,752. The City's cash deposits at September 30, 2022 and during the year ended September 30, 2022 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment and management, and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investment which are allowable for the City. These include with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers applications, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2022 are shown below:

		-	-
Citizens State Bank	Various	\$ 234,329	\$ 234,329
Logic	Various	<u>658,530</u>	<u>658,530</u>
Total Investments		<u>\$ 892,859</u>	<u>\$ 892,859</u>

Analysis of Specific Deposit and Investment Risk

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

3. Deposits and Investments

Analysis of Specific Deposit and Investment Risk

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the city's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the city's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-bearing investment contracts at amortized cost and to report nonparticipating interest-bearing investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with the market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-bearing investment contracts.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

3. Deposits and Investments

Public Funds Investments Pools

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act), chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have business relationships with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA- or an equivalent rating by at least on nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

4. Capital Assets

Capital assets activity for the period ended September 30, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 941,278	\$ -	\$ -	\$ 941,278
Construction in progress	-	-	-	-
Total capital assets not being depreciated	941,278	-	-	941,278
Capital assets being depreciated				
Infrastructure	1,438,894	45,726	-	1,484,620
Buildings and improvements	3,418,396	-	-	3,418,396
Equipment/Vehicles	2,389,539	76,537	-	2,466,076
Leased assets	259,187	-	-	259,187
Total capital assets being depreciated	7,506,016	122,263	-	7,628,279
Less accumulated depreciation for:				
Infrastructure	(422,617)	(28,595)	-	(451,212)
Buildings and improvements	(965,796)	(90,175)	-	(1,055,971)
Equipment	(1,954,923)	(171,794)	-	(2,126,717)
Leased assets	(259,187)	-	-	(259,187)
Total accumulated depreciation	(3,602,523)	(290,564)	-	(3,893,087)
Total capital assets being depreciated, net	3,903,493	(168,301)	-	3,735,192
governmental activities capital assets, net	\$ 4,844,771	\$ (168,301)	\$ -	\$ 4,676,470

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

4. Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 59,421	\$ -	\$ -	\$ 59,421
Construction in progress	-	-	-	-
Total capital assets not being depreciated	59,421	-	-	59,421
Capital assets being depreciated				
Buildings and improvements	13,057,533	-	-	13,057,533
Improvements other than buildings	2,511,940	-	-	2,511,940
Equipment	1,251,486	106,535	-	1,358,021
Total capital assets being depreciated	16,820,959	106,535	-	16,927,494
Less accumulated depreciation for:				
Buildings and improvements	(7,097,202)	(365,227)	-	(7,462,429)
Improvements other than buildings	(1,566,777)	(45,985)	-	(1,612,762)
Equipment	(1,180,104)	(43,284)	-	(1,223,388)
Total accumulated depreciation	(9,844,083)	(454,496)	-	(10,298,579)
Total capital assets being depreciated, net	6,976,876	(347,961)	-	6,628,915
governmental activities capital assets, net	\$ 7,036,297	\$ (347,961)	\$ -	\$ 6,688,336

Depreciation was charged to functions as follows:

General Government	\$ 102,638
Public Safety	107,516
Highways and Streets	45,193
Sanitation	-
Culture and Recreation	35,217
Economic Development	-
	<u>\$ 290,564</u>

5. Interfund Balances and Activity

Due To and From Other Funds

Balances due to and due from other funds at September 30, 2022, consisted of the following:

	Due From Fund	Amount	Purpose
General Fund	Fiduciary Funds	\$ -	Short-term loans
General Fund	Enterprise Fund	-	Short-term loans
General Fund	Other Governmental Funds	-	Short-term loans
Enterprise Fund	Fiduciary Funds	-	Short-term loans
Enterprise Fund	General Fund	-	Short-term loans
Enterprise Fund	Other Governmental Funds	-	Short-term loans
Total		<u>\$ -</u>	

All amounts due are scheduled to be repaid within one year.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

5. Interfund Balances and Activity

Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2022, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Fiduciary Fund	General Fund	\$ -	Supplement other funds sources
Enterprise Fund	General Fund	419,535	Supplement other funds sources
Total		<u>\$ 419,535</u>	

6. Long-Term Obligations

Long-Term obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2022 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Capital leases	\$ -	\$ -	\$ -	\$ -	\$ -
Notes	-	-	-	-	-
General Obligation Bond	669,000	-	(48,000)	621,000	48,000
General Obligation Bond	281,000	-	(37,000)	244,000	38,000
General Obligation Bond	-	-	-	-	-
Total governmental activities	<u>\$ 950,000</u>	<u>\$ -</u>	<u>\$ (85,000)</u>	<u>\$ 865,000</u>	<u>\$ 86,000</u>

7. Long-Term Obligations

Long-Term Obligation Activity

Note payable to an agency of the State of Texas in the original amount of \$590,000, dated September 7, 2005. Current interest rate is 3.25% with the note payable being due in monthly installments of \$4,286 through September 1, 2020. The balance at September 30, 2022 is \$0. The loan was used by the Economic Development fund to refund an existing debt and to provide resources for future projects.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

\$848,000 General Obligation Refunding Bonds, Series 2017 for Civic Center Sales Tax, due in annual installments of \$43,000 to \$64,000 through February 15, 2033, bearing interest at 2.72%. The balance at September 30, 2022 was \$621,000.

\$419,000 General Obligation Refunding Bonds, Series 2017 for Property Tax, due in annual installments of \$33,000 to \$45,000 through February 15, 2028, bearing interest at 2.72%. The balance at September 30, 2022 was \$244,000.

Bonds payable at September 30, 2022 were comprised of the following issues:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type activities:					
General obligation bonds	\$ 3,799,000	\$ -	\$ 487,000	\$ 3,312,000	\$ 497,000
Capital leases	-	-	-	-	-
	<u>3,799,000</u>	<u>-</u>	<u>487,000</u>	<u>3,312,000</u>	<u>497,000</u>
Less deferred amount on bond refundings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>\$ 3,799,000</u>	<u>\$ -</u>	<u>\$ 487,000</u>	<u>\$ 3,312,000</u>	<u>\$ 497,000</u>

\$1,025,000 2006 tax and utility system surplus revenue certificates of obligation, due in annual installments of \$30,000 to \$35,000 through August 15, 2036, bearing interest at the rate of -0-%. The balance at September 30, 2022 is \$465,000.

\$2,000,000 2007 combination tax and revenue certificates of obligation, due in annual installments of \$100,000 through February 15, 2027, bearing interest at the rate of -0-%. The balance at September 30, 2022 is \$500,000.

\$2,150,000 2008 combination tax and revenue certificates of obligation, due in annual installments of \$71,000 to \$72,000 through February 15, 2040, bearing interest at the rate of -0-%. The balance at September 30, 2022 is \$1,286,000.

\$2,700,000 2010 general obligation refunding bonds, due in annual installments of \$70,000 to \$285,000 through February, 2024, bearing interest rates from 2.00% to 4.00%. The balance at September 30, 2022 is \$735,000.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

7. Long-Term Obligations

Long-Term Obligation Activity

\$531,000 2017 General Obligation Refunding Bonds, Series 2017 Water & Sewer, due in annual installments of \$5000-310,000 through February 15, 2026, bearing interest at the rate of 2.72%. The balance at September 30, 2022 is \$326,000.

Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2022 are as follows:

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

<u>Year Ending September 30</u>	<u>Governmental Activities-Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	86,000	19,883	105,883
2024	90,000	21,188	111,188
2025	92,000	18,742	110,742
2026	94,000	14,960	108,960
2027	97,000	12,363	109,363
2028-2032	342,000	29,362	371,362
2033	64,000	870	64,870
Totals	<u>\$ 865,000</u>	<u>\$ 117,368</u>	<u>\$ 982,368</u>

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

7. Long-Term Obligations

Long-Term Obligation Activity

Debt Service Requirements

<u>Year Ending September 30,</u>	<u>Business-type Activities-Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	497,000	19,252	516,252
2024	660,000	12,268	672,268
2025	500,000	23,668	523,668
2026	404,000	13,574	417,574
2027	175,000	-	175,000
2028-2032	358,000		
2033-2037	505,000	-	505,000
2038-2040	213,000	-	213,000
Totals	<u>\$ 3,312,000</u>	<u>\$ 68,762</u>	<u>\$ 3,022,762</u>

Prior Year Defeasance of Bonds

During the year ended March 31, 2011, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds were not included in the City's financial statements. Furthermore, as of March 31, 2013, none of the bonds considered defeased were still outstanding.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

8. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2013, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its excess risk insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

9. Pension Plan

Plan Description

The City of Groesbeck participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms.

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>34</u>
Total	71

CITY OF GROESBECK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

C. Contributions

The contribution rate for the employees in TMRS is 5%, 6% and 7% of employee gross earnings, and the City matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is annually determined by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Groesbeck were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Groesbeck were 5% and 5% in calendar years 2022 and 2021 respectively. The city's contributions to TMRS for the year ended September 30, 2022 were \$37,502 and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year

Overall payroll growth 3.5% per year

Investment Rate of Return 6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

CITY OF GROESBECK, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. PENSION PLAN (Continued)

Actuarial assumptions used in the December 31, 2021, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2015, first used in the December 31, 2016 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

City of Groesbeck
Schedule of Changes in Net Pension Liability and Related Ratios Current Period
September 30, 2022

A. Total pension liability	
1. Service Cost	\$ 93,147
2. Interest (on the Total Pension Liability)	140,411
3. Changes of benefit terms	-
4. Difference between expected and actual experience	(409)
5. Changes of assumptions	-
6. Benefit payments, including refunds of employee contributions	(64,820)
7. Net change in total pension liability	\$ 168,329
8. Total pension liability - beginning	2,065,994
9. Total pension liability - ending	<u>\$ 2,234,323</u>
B. Plan fiduciary net position	
1. Contributions - employer	\$ 37,502
2. Contributions - employee	75,240
3. Net investment income	248,504
4. Benefit payments, including refunds of employee contributions	(64,820)
5. Administrative Expense	(1,149)
6. Other	8
7. Net change in plan fiduciary net position	\$ 295,285
8. Plan fiduciary net position - beginning	1,904,233
9. Plan fiduciary net position - ending	<u>\$ 2,199,518</u>
C. Net pension liability [A.9-B.9]	<u>\$ 34,805</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	98.44%
E. Covered-employee payroll	\$ 1,504,797
F. Net pension liability as a percentage of covered employee payroll [C / E]	2.31%

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$312,610	\$34,805	\$(197,953)
Pension Plan Fiduciary Net Position			

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

CITY OF GROESBECK
SCHEDULE OF PENSION EXPENSE
SEPTEMBER 30, 2022

1.	Total Service Cost	\$ 93,147
2.	Interest on the Total Pension Liability	140,411
3.	Current Period Benefit Changes	-
4.	Employee Contributions (Reduction of Expense)	(75,240)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(128,536)
6.	Administrative Expense	1,149
7.	Other Changes in Fiduciary Net Position	(8)
8.	Recognition of Current Year Outflow (Inflow) of Resources - Liabilities	(102)
9.	Recognition of Current Year Outflow (Inflow) of Resources - Assets	(23,994)
10.	Amortization of Prior Year Outflows (Inflows) of Resources - Liabilities	(2,988)
11.	Amortization of Prior Year Outflows (Inflows) of Resources - Assets	<u>(17,783)</u>
12.	Total Pension Expense	\$ (13,944)

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

CITY OF GROESBECK
SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2022

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2021 Recognized in current pension expense	Deferred (Inflow) Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	4.0400	\$ (409)	\$ (102)	\$ (307)
Difference in assumption changes [actuarial (gains) or losses]	4.0400	\$ -	\$ -	\$ -
			<u>\$ (102)</u>	<u>\$ (307)</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings	5.0000	\$ (119,968)	\$ (23,994)	\$ (95,974)
on pension plan investments [actuarial (gains) or losses]			<u>\$ (23,994)</u>	<u>\$ (95,974)</u>
<u>Total:</u>				<u>\$ (96,281)</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2022	\$ (22,213)
2023	(50,969)
2024	(27,013)
2025	(23,993)
2026	-
Thereafter	-
Total	<u>\$ (124,188)</u>

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

Notes to the Financial Statements for an Employer Contributing to a Cost-Sharing Multiple-Employer Defined Benefit Healthcare Plan

Schedule of Contribution Rates

(Retiree-only portion of the rate, for OPEB)

Plan/ Annual Required Percentage of

Calendar Contribution Actual Contribution Made ARC contributed

Year (Rate) (Rate)

2017 0.03% 0.02% 100.0%

2018 0.02% 0.03% 100.0%

2019 0.03% 0.02% 100.0%

2020 0.04% (city to provide) (city to provide)

2021 0.04% (city to provide) (city to provide)

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2020, 2019 and 2018 were 3%, 3%, and 3%, respectively, which equaled the required contributions each year.

Net Other Post Employment Benefits Liability.

Actuarial Assumptions

Actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. These assumptions were adopted in 2015 and first used in the December 31, 2015 valuation.

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

The Mortality Experience Investigation Study covering 2009 through 2011 is used as the basis for the post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs). Mortality Rates for service employees uses the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Inflation	2.50% per year
Overall payroll growth	3.50 to 10.5% per year including inflation
Discount rate	2.75%

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

Changes in the Net Other Post Employment Benefits Liability

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at 12/31/20	\$129,966
Changes for the year	
Service Cost	7,524
Interest on Total OPEB liability	2,653
Changes of benefit terms	0
Differences between expected and actual experience	(6,741)
Changes in assumption or other inputs	3,720
Benefit payments	(2,107)
Net changes	5,049
Total OPEB Liability – end of year	\$ 135,015
Total OPEB Liability as a Percentage of Covered Payroll	8.97%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the current discount rate of 2.75% as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.75%) or -1 percentage point higher (4.75%) than the current rate. Because the SDBF is considered an unfunded trust, the relevant discount rate to calculate the total OPEB liability is based on the Fidelity Index's 20 year Municipal GO AA Index.

1% Decrease in	Discount Rate (2.31%)	1% Increase in	Discount Rate (4.31%)
		Discount Rate (3.31%)	
Total OPEB liability	\$155,373	\$ 135,015	\$109,652

CITY OF GROESBECK
SCHEDULE OF OPEB EXPENSE
SEPTEMBER 30, 2022

1. Total Service Cost	\$ 7,524
2. Interest on the Total OPEB Liability	2,653
3. Changes in benefit terms	-
4. Employer administrative costs	-
5. Recognition of deferred outflows/inflows of resources	-
6. Differences between expected and actual experience	(2,454)
7. Changes in assumptions or other inputs	6,547
8. Total OPEB Expense	<u>14,270</u>

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

CITY OF GROESBECK
SCHEDULE OF OPEB OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE
SEPTEMBER 30, 2022

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2021 Recognized in current opeb expense	Deferred (Inflow) Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	5.5600	\$ (6,741)	\$ (1,213)	\$ (5,528)
Difference in assumption changes [actuarial (gains) or losses]	5.5600	\$ 3,720	\$ 670	\$ 3,050
			<u>\$ (543)</u>	<u>\$ (2,478)</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2022	\$ 4,093
2023	3,468
2024	3,881
2025	1,015
2026	(306)
Thereafter	-
Total	<u>\$ 12,151</u>

Other Information

Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. In order to determine the retiree portion of the City's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the City should perform the following calculation:
Total covered payroll * retiree Portion of SDB Contribution (Rate)

CITY OF GROESBECK, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

10. Health Care Coverage

During the year ended September 30, 2020, employees of the City were covered by a health insurance plan (the Plan). The city paid premiums of \$460 per month per employee to the Plan. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by State statute chapter 172 and was documented by contractual agreement.

11. Restricted Assets

At September 30, 2022, the following cash and investments are classified as restricted on the Balance Sheets of the Governmental Funds and Proprietary Fund:

	Cash and Cash Equivalents	Texpool	Texstar	Logic	Total
Water Deposits	\$ -	\$ -	\$ -	\$ -	\$ -
Construction	-	-	-	-	-
Debt retirement	516,252	-	-	-	516,252
Total	\$ 516,252	\$ -	\$ -	\$ -	\$ 516,252

12. Accounts Receivable

General Fund accounts receivable consists substantially of ad valorem tax receivables of \$139,292 amounts due to the City for sales tax of \$96,261, due from other governmental agencies for franchise fees, accounts receivables are \$111,952 for a net of \$347,505

Economic Development Fund receivable consists of \$ 88,693 due from a company relating to the sale of City property that was financed by the City.

Proprietary fund receivables consist substantially of \$682,852 due to the City for water and sewer services, less an allowance for uncollectible accounts of \$315,110 for a net of \$367,742.

13. Commitments and Contingencies

Contingencies

The city participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

14. Subsequent Events

No subsequent of material audit significance noted.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF GROESBECK, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
General Property Taxes	\$ 935,000	\$ 935,000	\$ 919,370	\$ (15,630)
General Sales and Use Taxes	630,000	680,000	884,031	254,031
Street Maintenance Sales Tax	95,000	95,000	145,899	50,899
Civic Center Sales Tax	85,000	85,000	145,899	60,899
Franchise Taxes	140,000	140,000	167,588	27,588
Taxes, Hotel-Motel	60,000	60,000	77,208	17,208
Charges for Services	820,048	820,048	833,374	13,326
Fines	138,000	138,000	157,913	19,913
Investment Earnings	-	-	3,075	3,075
Contributions and Donations	17,500	17,500	39,647	22,147
Total revenues	<u>2,920,548</u>	<u>2,970,548</u>	<u>3,374,004</u>	<u>453,456</u>
Expenditures:				
General Government	1,146,235	1,163,235	972,573	173,662
Public Safety	756,162	777,162	1,027,853	(271,691)
Highways and Streets	425,595	425,595	317,985	107,610
Sanitation	417,000	417,000	582,207	(165,207)
Culture and Recreation	311,387	323,387	284,996	26,391
Economic Development and Assistance	212,070	212,070	165,920	46,150
Debt Service	54,134	54,134	85,000	(30,866)
Capital Outlay	544,417	544,417	122,263	422,154
Total Expenditures	<u>3,867,000</u>	<u>3,917,000</u>	<u>3,558,797</u>	<u>308,203</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(946,452)</u>	<u>(946,452)</u>	<u>(184,793)</u>	<u>761,659</u>
Other Financing Sources (Uses):				
Other Transfers In	419,535	419,535	419,535	-
Grants	526,917	526,917	718,379	191,462
transfer from reserves	-	-	-	-
Total Other Financing Sources (Uses)	<u>946,452</u>	<u>946,452</u>	<u>1,137,914</u>	<u>191,462</u>
Net Change in Fund Balances	-	-	953,121	953,121
Fund Balances - Beginning	<u>638,412</u>	<u>638,412</u>	<u>2,437,936</u>	<u>1,799,524</u>
Fund Balances - Ending	<u>\$ 638,412</u>	<u>\$ 638,412</u>	<u>\$ 3,391,057</u>	<u>\$ 2,752,645</u>

See Auditors' Report.

CITY OF GROESBECK, TEXAS
PROPRIETARY FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended September 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Water Sales	\$ 1,356,000	\$ 1,356,000	\$ 1,552,649	\$ 196,649
Sewer Sales	678,000	678,000	734,377	56,377
Sale of scrap materials	2,000	2,000	-	(2,000)
Miscellaneous	12,000	12,000	343,804	331,804
Penalties	50,000	70,000	-	(50,000)
Interest income	20,000	20,000	30,737	10,737
Water tower rent	5,400	5,400	-	(5,400)
Total revenues	2,123,400	2,143,400	2,661,567	538,167
Admin Expense	432,955	452,955	312,774	120,181
Water Department	633,442	633,442	450,536	182,906
Wastewater Department	364,494	364,494	315,222	49,272
Repairs maintenance supplies	-	-	170,858	(170,858)
Pension & OPEB expense	-	-	(1,790)	1,790
Debt Service/Interest Expense	533,580	533,580	527,580	6,000
Depreciation	-	-	468,640	(468,640)
Total Expenditures	1,964,471	1,984,471	2,243,820	(279,349)
Excess (Deficiency) of Revenues Over (Under) Expenditures	158,929	158,929	417,747	258,818
Other Financing Sources (Uses):				
Transfers In	260,606	260,606	-	(260,606)
Transfers Out	(419,535)	(419,535)	(419,535)	-
Total Other Financing Sources (Uses)	(158,929)	(158,929)	(419,535)	(260,606)
Net Change in Fund Balances	-	-	(1,788)	(1,788)
Add back Loan principal payments			487,000	
Fund Balances - Beginning	4,823,835	4,823,835	4,823,835	-
Fund Balances - Ending	\$ 4,612,115	\$ 4,612,115	\$ 5,309,047	\$ 696,932

City of Groesbeck
Schedule of Changes in Net Pension Liability and Related Ratios
Last ten years (will ultimately be displayed)

Total pension liability	2015	2016	2017	2018	2019	2020	2021
1. Service Cost	84,373	80,757	76,296	78,212	81,145	80,260	93,147
2. Interest (on the Total Pension Liability)	96,154	99,711	107,566	113,069	120,103	129,569	140,411
3. Changes of benefit terms	-	-	-	-	-	-	-
4. Difference between expected and actual experience	(44,427)	2,374	(19,615)	(5,779)	425	5,559	(409)
5. Changes of assumptions	44,805	-	-	-	2,144	-	-
6. Benefit payments, including refunds of employee contributions	(93,066)	(57,982)	(70,499)	(96,872)	(68,644)	(57,618)	(64,820)
7. Net change in total pension liability	87,839	124,860	93,748	88,630	135,173	157,770	168,329
8. Total pension liability - beginning	1,377,974	1,465,813	1,590,673	1,684,421	1,773,051	1,908,224	2,065,994
9. Total pension liability - ending	1,465,813	1,590,673	1,684,421	1,773,051	1,908,224	2,065,994	2,234,323
Plan fiduciary net position							
1. Contributions - employer	31,881	29,704	29,780	31,013	32,236	32,625	37,502
2. Contributions - employee	66,856	62,797	60,265	61,778	64,401	65,252	75,240
3. Net investment income	1,778	81,858	183,901	(45,821)	228,632	131,659	248,504
4. Benefit payments, including refunds of employee contributions	(93,066)	(57,982)	(70,499)	(96,872)	(68,644)	(57,618)	(64,820)
5. Administrative Expense	(1,083)	(924)	(953)	(885)	(1,291)	(851)	(1,149)
6. Other	(53)	(50)	(48)	(46)	(39)	(32)	8
7. Net change in plan fiduciary net position	6,313	115,403	202,446	(50,833)	255,295	171,035	295,285
8. Plan fiduciary net position - beginning	1,204,574	1,210,887	1,326,290	1,528,736	1,477,903	1,733,198	1,904,233
9. Plan fiduciary net position - ending	1,210,887	1,326,290	1,528,736	1,477,903	1,733,198	1,904,233	2,199,518
Net pension liability [A.9-B.9]	254,926	264,383	155,685	295,148	175,026	161,761	34,805
Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	82.61%	83.38%	90.76%	83.35%	90.83%	92.17%	98.44%
Covered-employee payroll	\$1,337,125	1,255,938	1,205,307	1,235,569	1,288,016	1,305,036	1,504,797
Net pension liability as a percentage of covered employee payroll [C / E]	19.07%	21.05%	12.92%	23.89%	13.59%	12.40%	2.31%

City of Groesbeck
Schedule of Contributions
Last 10 Fiscal Years (will ultimately be displayed)
September 30, 2022

	2015	2016	2017	2018	2019	2020	2021
Actually Determined Contribution	\$ 98,737	\$ 92,501	\$ 90,045	92,791	96,637	97,877	112,742
Contributions in relation to the actuarially determined contribution	<u>98,737</u>	<u>92,501</u>	<u>90,045</u>	<u>92,791</u>	<u>96,637</u>	<u>97,877</u>	<u>112,742</u>
		-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered employee payroll	\$ 1,337,125	\$ 1,255,938	\$ 1,205,307	1,235,569	1,288,016	1,504,797	1,504,797
Contributions as a percentage of covered employee payroll	7.38%	7.37%	7.47%	7.51%	7.50%	6.50%	7.49%

Notes to Schedule

Valuation Date determined 12/31/2020

Notes

Valuation Date:

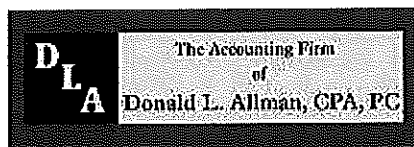
Notes months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year Smoothed Market 15% Soft Corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% Including Inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.



Donald L Allman, CPA, PC
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Georgetown, Texas 78633

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor & City Council
City of Groesbeck, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Groesbeck, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Groesbeck, Texas' basic financial statements, and have issued our report thereon dated February 15, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Groesbeck, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Groesbeck, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Groesbeck, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Groesbeck, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donald L. Allman, CPA, PC
Georgetown, TX
February 15, 2023